

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE

IN RE: Chapter 11  
Case No. 25-10475 (TMH)  
VILLAGE ROADSHOW  
ENTERTAINMENT GROUP (Joint Administration Requested)  
USA, INC., et al.,  
Courtroom No. 7  
824 Market Street  
Debtors. Wilmington, Delaware 19801  
Tuesday, March 18, 2025  
10:00 a.m.

TRANSCRIPT OF HEARING  
BEFORE THE HONORABLE THOMAS M. HORAN  
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES:

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1 (Proceedings commenced at 10:00 a.m.)

2 THE CLERK: All rise.

3 THE COURT: Good morning. Please be seated.

4 Good morning, Mr. Mulvihill.

5 MR. MULVIHILL: Good morning, Your Honor.

6 For the record, Joseph Mulvihill, Young Conaway  
7 Stargatt & Taylor, proposed counsel to Village Roadshow  
8 Entertainment Group USA, Inc. and its affiliated debtors.

9 At the outset of today's hearing, Your Honor, we'd  
10 like to thank you for making time to hear us for our first  
11 day pleadings. I'd like to introduce with me in court today  
12 is my colleague Christopher Lambe, but I'm also joined by the  
13 Sheppard Mullin team.

14 After I make a few introductory remarks, Your  
15 Honor, I'll turn it over to Mr. Bernbrock, who will introduce  
16 the rest of the team and give Your Honor a brief presentation  
17 on the company.

18 THE COURT: Great.

19 MR. MULVIHILL: Your Honor, just as a housekeeping  
20 matter, we were able to schedule a second hearing with your  
21 chambers prior today; I'd like to put that on the record.  
22 It'll be April 11th at 1:30 p.m.

23 THE COURT: Yes.

24 MR. MULVIHILL: And that will be for our second  
25 day hearing and also our bid procedures will be scheduled for

1 that.

2 We filed our agenda today, Your Honor, at  
3 Docket 21. There have been a few updates since then, as Your  
4 Honor might expect. Most importantly, a revised budget was  
5 filed at Docket 47, with respect to the DIP. I wanted to  
6 make sure Your Honor had that; if not, I can hand up a copy  
7 at the appropriate time when we get to the DIP motion.

8 THE COURT: Okay.

9 MR. MULVIHILL: We'd also like to thank Ms. Sierra  
10 Fox for working cooperatively with us in advance of the  
11 hearing. We've been able to resolve, I believe, almost  
12 everything for the routine first days, Your Honor. I will  
13 say we're completely resolved. There'll be a couple of  
14 revisions that we're going to put on the record as we move  
15 through, I believe, it's with respect to cash management --

16 THE COURT: Okay.

17 MR. MULVIHILL: -- and we are 95 percent of the  
18 way there on the DIP, Your Honor; still incorporating  
19 comments from various parties, which we will get to. I  
20 believe there's one open issue with the U.S. Trustee and  
21 those will be addressed in due course as we move through the  
22 hearing.

23 Finally, Your Honor, we have two declarations in  
24 support of our hearing today. The first is from Keith Maib;  
25 he's our chief restructuring officer. That is our first day

1 declaration filed at Docket 2.

2 At this time, Your Honor, I would move that into  
3 evidence.

4 THE COURT: Does anybody object to the admission  
5 of Mr. Maib's declaration, purely for the purposes of today's  
6 hearing?

7 (No verbal response)

8 THE COURT: Okay. I hear no response.

9 Mr. Maib's declaration is admitted.

10 (Maib Declaration received in evidence)

11 THE COURT: Is there anybody who would like to  
12 cross-examine Mr. Maib?

13 (No verbal response)

14 THE COURT: I hear no response.

15 MR. MULVIHILL: Thank you, Your Honor.

16 The second declaration is from Mr. Koutsonicolis,  
17 who is our investment banker; that's in support of the DIP,  
18 filed at Docket 10.

19 At this time, Your Honor, we would also like to  
20 move that into evidence.

21 THE COURT: Okay. Does anybody object to the  
22 admission of Mr. Koutsonicolis, but it's Koutsonicolis.

23 MR. MULVIHILL: Your Honor, I spent a lot of time  
24 this morning practicing that, as well --

25 THE COURT: Well, I appreciate that.

1 MR. MULVIHILL: -- and I think I still might have  
2 gotten it wrong -- I got it right for the first time, thank  
3 you.

4 THE COURT: It's important to get it right.

5 Is there anybody who objects to the admission of  
6 Mr. Koutsonicolis' declaration for the purposes of today's  
7 hearing?

8 (No verbal response)

9 THE COURT: I hear no response.

10 It is admitted.

11 (Koutsonicolis Declaration received in evidence)

12 THE COURT: Is there anybody here who would like  
13 to cross-examine Mr. Koutsonicolis?

14 (No verbal response)

15 THE COURT: I hear no response.

16 MR. MULVIHILL: Thank you, Your Honor.

17 Unless you have any questions for me at this time,  
18 I'll cede the podium to my co-counsel, Justin Bernbrock.

19 THE COURT: I have no questions.

20 Mr. Bernbrock, good morning. Welcome.

21 MR. BERNBROCK: Thank you.

22 Good morning, Your Honor. Justin Bernbrock of  
23 Sheppard, Mullin, Richter & Hampton, proposed counsel to the  
24 debtors and debtors-in-possession.

25 Your Honor, I'd like to echo Mr. Mulvihill's

1 thanks to Your Honor and Your Honor's staff for accommodating  
2 the hearing today. Also, to Ms. Sierra Fox for working with  
3 us over the weekend late, late hours and we're very  
4 appreciative for those efforts.

5           On the walk over to the courtroom this morning, it  
6 occurred to me with three first day hearings in this  
7 courthouse that the great obsession of every debtor lawyer at  
8 the first day hearing is to make a splash and given that  
9 these debtors are in the entertainment business, I thought  
10 that I might try to reenact the great scene from Willy Wonka  
11 & the Chocolate Factory where Gene Wilder appears frail and  
12 fragile while he's leaving the chocolate factory, only to  
13 plant his cane and do a somersault and I thought that might  
14 work; although, I'm no Gene Wilder and the last time I did a  
15 somersault, I had a broken leg on account of it.

16           (Laughter)

17           MR. BERNBROCK: Your Honor, I do want to make some  
18 additional introductions. My partner Jennifer Nassiri is  
19 with us in the courtroom; our colleague Alyssa Paddock and  
20 Matthew Benz. We've also got, as Mr. Mulvihill said, Mr.  
21 Keith Maib, who's the chief restructuring officer of the  
22 debtors; Mr. George Koutsonicolis, proposed investment banker  
23 to the debtors. We also got a number of folks on the Zoom  
24 line; notably, the company's chief operating officer, Mr.  
25 Louis Santor, and the company's general counsel and

1 secretary, Mr. Kevin Berg. There are also members of the  
2 Board on the Zoom, as well.

3 Also in the courtroom -- the other great aspect of  
4 being a debtor lawyer is that when you have a new case, you  
5 make all sorts of new friends, and some folks who we hope  
6 will become friends. We've got counsel to the DIP lenders,  
7 Mr. Newton, and his Delaware counsel in the courtroom. Back  
8 of the courtroom is Mr. Hammerman from the Latham firm; they  
9 represent the buyer of the assets or proposed buyer.

10 Mr. Gavant from Barnes & Thornburg, to my left, is ABS  
11 trustee counsel. We've got Ms. Kaufman here who represents  
12 the various guilds and her co-counsel, a very dear friend,  
13 Mr. Ahdoot is on the Zoom. And then, of course, the folks  
14 from Morris Nichols, Mr. Harvey is here, and I believe his  
15 co-counsel from the O'Melveny firm, and they represent Warner  
16 Bros.

17 THE COURT: Uh-huh.

18 MR. BERNBROCK: All that said, Your Honor, I would  
19 like to briefly go through a presentation, if I may, and just  
20 to give Your Honor a sense of the company, how we got here,  
21 what we anticipate or hope to do in the context of  
22 Chapter 11, and what that timeline might look like, and then  
23 we'll talk a little bit about the proposed financing.

24 So, go ahead and share that screen, please.

25 Now, as Your Honor may have seen in the filings,

1 Village Roadshow Entertainment Group is an independent motion  
2 picture and TV financier and production house and has been  
3 operating since the late '90s, 1997, in fact. They have  
4 released and been involved with over a hundred motion  
5 pictures, some really interesting and critically acclaimed  
6 pictures, indeed, and the overall box office receipts, on  
7 account of the projects is a little over \$19 billion.  
8 Thirty-four, number-one, box office openings. In connection  
9 with the projects, 19 Academy Awards were issued and 6 Golden  
10 Globes. Some of the projects include The Joker, The Great  
11 Gatsby, the Ocean series, that movie Sully, the LEGO Movie,  
12 and The Matrix trilogy. I want to put a marker here, The  
13 Matrix, or at least one of The Matrix movies, in connection  
14 or that the company has been involved with, is the subject of  
15 some disputes with Warner Bros.

16 Next slide.

17 So, when Village was created, back in 1997, the  
18 idea was that it would be an independent house that would  
19 partner with major studios to co-finance projects and also  
20 share in the upside of those. And you see here, the various  
21 dates when movies and other projects were released.

22 In 2017, the company was acquired by Vine  
23 Alternative Investments and several of its affiliated funds  
24 and then the company continued thereafter. And after that  
25 acquisition, and we'll talk a little more later, the company

1 did explore some ventures, most notably, an independent  
2 studio venture, and that's -- if you see at the top, the  
3 motion picture Cinnamon was one of the projects to emerge  
4 from that process.

5 Next slide.

6 So, it's a complicated company. There's a  
7 multinational components to the company. There's entities in  
8 Australia, and BVI, and the United States and those are  
9 really the main jurisdictions for the company's entities.

10 There are two principal funded debt silos, what we  
11 would commonly call the "senior secured notes" and the ABS or  
12 "asset-backed securities" facility.

13 When you think about the business and the company,  
14 on an asset basis, you know, there's only three categories.  
15 There's the film library, certain derivative rights, and the  
16 independent studio business.

17 Next slide.

18 So, this is the broad overview of the debtors'  
19 enterprise structure. The -- and we'll get more granular in  
20 the next slide. We will get more granular in the next  
21 slide -- ah, perfect.

22 So, Your Honor, what we are attempting to do here  
23 is show the entities in the structure that make up the film  
24 library. These are the owners of the library assets. These  
25 entities are also sellers under the proposed stalking horse

1 purchase agreement. They are also entities that are obligors  
2 under the ABS facility.

3 And I do want to be very candid and clear, as  
4 you'll see, the boxes that are outlined in the red, those are  
5 entities that are involved in the Warner Bros. arbitration.  
6 So, there are claims by Warner Bros. at entities that own  
7 library assets. Beyond those claims, and I should say in  
8 related claims to that proceeding, our broad understanding is  
9 that these special purpose vehicles own the library and,  
10 otherwise, don't owe funded or unfunded debt, aside from the  
11 ABS, of course.

12 So the next category, you know, of value across  
13 the enterprise, are what we globally call the derivative  
14 rights and these are independent intellectual property rights  
15 to make derivative works from the underlying copyright or the  
16 underlying project in which we own an interest. These rights  
17 were removed out of other entities in the structure,  
18 particularly, the library entities, as a product of a  
19 transaction within the last, I believe, 18 months, if memory  
20 serves.

21 Again, I'll flag that questions about that  
22 transaction have been, and likely, will be raised. We  
23 believe that there are justifications for it, but I certainly  
24 don't want to hide-the-ball on anything and that transaction  
25 of these rights to these assets is something, I suspect,

1 we're going to hear about in the case.

2 Next slide.

3 So, finally, is the independent studio business  
4 and this was a venture that the company pursued to create and  
5 produce independent works. Everything up until the creation  
6 of this studio business always depended on a partnership with  
7 a major studio, most notably, Warner Bros., but there are  
8 others: Sony, Paramount, et cetera. But this -- these  
9 entities represent the independent studio venture. The  
10 claims, the fair number of claims set forth in the debtors'  
11 top-20 list of unsecured creditors arise from this business  
12 activity.

13 Next slide.

14 So, there are, you know, there are a host of  
15 factors, despite the media's focus on the dispute with Warner  
16 Bros., which is a factor, but it is one among many. The  
17 company has suffered financial distress on account of  
18 disruptions from the COVID pandemic, the 2023 writers and  
19 directors strike, the, I should say growing prevalence of  
20 streaming companies in the entertainment industry, generally,  
21 and other general, macroeconomic headwinds. So, despite what  
22 may have been reported, this is not we are here solely  
23 because we have a dispute with Warner Bros.

24 The liquidity crisis, you know, really, at the end  
25 of the, in the final analysis arises from the independent

1 studio business' failure to really, you know, catch any  
2 altitude on the projects that it produced and made and the  
3 loss of our largest studio partner. The relationship with  
4 the largest studio partner, coupled with the inability to, or  
5 I shouldn't say, "inability," I should say that the projects  
6 just did not take off, as it were. So, ultimately, that's  
7 what set the company on a collision course with the  
8 Chapter 11.

9           The good news about the company's entrance into  
10 Chapter 11, and to be clear, I don't minimize at all the fact  
11 that there are hundreds of millions of dollars, you know,  
12 that have been invested in this enterprise, that there have  
13 been trade claims and other investments, some of which may  
14 not be repaid. We do enter Chapter 11 with a stalking horse  
15 purchase agreement with content partners, which I'm not --  
16 certainly, not a show business expert, but as we understand,  
17 and our firm certainly has entertained lawyers, this is a  
18 very, very highly regarded, well-capitalized, well-financed  
19 entertainment company that owns several libraries. The  
20 headline purchase price for that library asset sale is 365  
21 million, less some deduction and calculations. So it is a  
22 significant sum of money.

23           Next slide.

24           Here is our, just at a very high level, our  
25 proposed or projected case timeline. Of course, yesterday,

1 March 17th, was the petition date. We, as Mr. Mulvihill  
2 said, established April 11th for the second day hearing and  
3 entry of the bid procedures order. I will note, April 11th  
4 is the day before Passover and if Your Honor doesn't mind, I  
5 would ask on behalf of our friends in the Jewish community,  
6 that anyone can appear via Zoom, as there's not going to be  
7 meaningful argument.

8 THE COURT: Absolutely, yes.

9 MR. BERNBROCK: Thank you, Your Honor.

10 We do have a milestone deadline to have the final  
11 DIP order entered on or before April 21st. We've got a bid  
12 deadline of May 16th; a proposed auction, if necessary, of  
13 May 21st; a sale hearing on May 29th; and hopefully, a sale  
14 closing on or about June 17th.

15 Next slide.

16 To accomplish that, the company does require  
17 debtor-in-possession financing. The headline amount on that  
18 facility is just shy of \$13 million. Of that, there's a \$7  
19 million new-money component, the balance of which is proposed  
20 to be a roll-up from certain bridge notes that were issued in  
21 the last several weeks.

22 We're not seeking to roll-up anything today;  
23 indeed, the only thing that we're seeking to do today is to  
24 draw \$500,000 on an interim basis and subject to the interim  
25 order. We -- the company simply does not have adequate cash

1 flow, as is shown in the budget, to fund the cases, absent  
2 this facility.

3 Your Honor, that really winds up my presentation  
4 and I'm going to turn it over to Mr. Benz next to walk  
5 through some of the motions. I'll call back up and talk with  
6 you about the DIP facility itself when we get to that motion  
7 in the agenda.

8 I will say that -- and thanks is due to the  
9 parties that I introduced and those that are on Zoom. I  
10 believe that we have a substantially consensual first day  
11 hearing and I really do want to thank the parties because, I  
12 guess, the final obsession of debtor lawyers is to get past  
13 the first day hearing. And so I think we can present Your  
14 Honor with a consensual first day calendar. Thank you, Your  
15 Honor.

16 Any questions?

17 THE COURT: With the films in which the debtors  
18 own rights, do they have any merchandising rights that go  
19 along with that?

20 MR. BERNBROCK: I do not know that answer, Your  
21 Honor. I'm going to look to see if we -- they do not. No,  
22 Your Honor, they do not.

23 THE COURT: Okay. Thank you.

24 MR. BERNBROCK: Thank you, Your Honor.

25 I'll cede the podium to Mr. Benz.

1 THE COURT: Good morning, Mr. Benz.

2 MR. BENZ: Good morning, Your Honor.

3 Matthew Benz of Sheppard, Mullin, Richter &  
4 Hampton, proposed counsel to the debtors and debtors-in-  
5 possession.

6 Your Honor, I will start with the debtors' joint  
7 administration motion, which is filed at Docket 3.

8 There are 34 entities that have filed petitions,  
9 all of whom are affiliates within the meaning of Section 101  
10 of the Bankruptcy Code. Pursuant to the motion, the debtors  
11 seek joint administration of these cases for procedural  
12 purposes only under Case Number 25-10475, which is the  
13 proposed lead debtor case of Village Roadshow Entertainment  
14 Group USA, Inc. The debtors view this request for relief as  
15 routine and submit that it will facilitate the Court's  
16 administration of these cases. We have shared drafts of the  
17 motion with the United States Trustee prior to the petition  
18 date and have incorporated any comments received.

19 Unless Your Honor has any questions, the debtors  
20 request entry of the order, as attached to the motion as  
21 Exhibit A.

22 THE COURT: Okay. Is there anybody who would like  
23 to be heard regarding joint administration?

24 (No verbal response)

25 THE COURT: Okay. I hear no response.

1           It's, of course, typical first day relief that's  
2 warranted in a multi-debtor case like this one, so I'm happy  
3 to grant the motion.

4           MR. BENZ: Thank you, Your Honor.

5           Next up on the agenda is the debtors' application  
6 to retain Kurtzman Carson Consultants, LLC, d/b/a Verita  
7 Global, as the claims and noticing agent in these Chapter 11  
8 cases, and that application is filed at Docket 4.

9           The application is supported by the declaration of  
10 Evan Gershbein, which is attached as Exhibit B to the  
11 application. At this time, we would request that the  
12 Gershbein declaration in support of the Verita application be  
13 moved into evidence.

14           THE COURT: Does anybody object to the admission  
15 of Mr. Gershbein's declaration?

16           (No verbal response)

17           THE COURT: Okay. I hear no response, and it is  
18 admitted.

19           (Gershbein Declaration received in evidence)

20           THE COURT: Is there anybody who would like to  
21 cross-examine Mr. Gershbein?

22           (No verbal response)

23           THE COURT: Okay. I hear no response.

24           MR. BENZ: Thank you, Your Honor.

25           The appointment of Verita, as claims and noticing

1 agent, in these Chapter 11 cases will expedite the  
2 distribution of notices, the processing of claims, facilitate  
3 other administrative aspects of these Chapter 11 cases and  
4 will relieve the Clerk of the Court of the administrative  
5 burden of processing what may be an overwhelming number of  
6 claims.

7           The debtors submit that Verita has the necessary  
8 qualifications and more than enough experience to serve as  
9 the claims and noticing agent in these cases and, indeed,  
10 Verita has served as claims and noticing agent in numerous  
11 large Chapter 11 cases.

12           The debtors have shared drafts of the application  
13 with the United States Trustee prior to the petition date and  
14 incorporated any comments received; specifically, the debtors  
15 have filed at Docket 49, an engagement agreement with Verita,  
16 which attaches a rate sheet in response to one of the United  
17 States Trustee's requests. We believe that that has resolved  
18 all outstanding concerns.

19           Unless Your Honor has any questions, the debtors  
20 request that Your Honor enter the order attached as Exhibit A  
21 to the application.

22           THE COURT: Does anybody wish to be heard  
23 regarding Verita's engagement here?

24           (No verbal response)

25           THE COURT: Okay. I hear no response.

1           Based upon the record before me, I do find that  
2 the relief is warranted and will grant the motion.

3           MR. BENZ: Thank you, Your Honor.

4           Next on the agenda is the debtors' PII redaction  
5 motion, which is filed at Docket 5.

6           Pursuant to the motion, the debtors seek authority  
7 for entry of interim and final orders authorizing the  
8 redaction of certain personally identifiable information of  
9 individuals contained within the debtors' consolidated list  
10 of creditors and certain of the filings within these  
11 Chapter 11 cases that may contain similarly personally  
12 identifiable information or otherwise sensitive information  
13 of individuals.

14           The debtors submit that cause exists to redact PII  
15 from the debtors' filings, due to concerns of identity theft,  
16 harassment, stalking, phishing scams, and other similar  
17 concerns.

18           The debtors propose to provide unredacted or to  
19 file -- excuse me -- unredacted copies of all redacted  
20 filings under seal and to provide the Court and the United  
21 States Trustee and other parties in interest, upon request,  
22 with copies of those unredacted filings. We have shared  
23 copies of the motion, drafts and motion with the United  
24 States Trustee prior to the petition dates and incorporated  
25 any comments received.

1 Unless Your Honor has any questions, the debtors  
2 respectfully request that Your Honor enter the interim order,  
3 attached as Exhibit A to the motion.

4 THE COURT: Does anybody wish to be heard  
5 regarding the PII motion?

6 (No verbal response)

7 THE COURT: Okay. I hear no response.

8 Based upon the evidence before me in the form of  
9 Mr. Maib's declaration, I do find that the relief requested  
10 is necessary to avoid the immediate and irreparable harm to  
11 the debtors and, therefore, I'll grant the motion on an  
12 interim basis.

13 MR. BENZ: Thank you, Your Honor.

14 Next on the agenda is the debtors' taxes motion,  
15 which appears at Docket 6.

16 Pursuant to the taxes motion, the debtors request  
17 entry of interim and final orders, authorizing the debtors to  
18 pay certain prepetition taxes and fees, due and owing to  
19 taxing authorities, and these taxes arise in the ordinary  
20 course. The debtors remit the taxes and fees to various  
21 foreign, federal, and state, and local government taxing  
22 authorities and these taxes and fees relate to certain  
23 property, income, sales and use, GST; i.e., goods and  
24 services taxes, that are incurred in these jurisdictions in  
25 the ordinary course of business.

1           The debtors believe that the relief requested is  
2 appropriate because the failure to pay such taxes and fees  
3 could subject the debtors to penalties and fees imposed by  
4 the various taxing authorities and incurring these penalties  
5 and fees could jeopardize the debtors' operations in a  
6 material manner and also jeopardize the debtors'  
7 restructuring efforts more broadly.

8           Pursuant to the motion, the debtors are requesting  
9 authority, but not direction, to pay \$2,700 in taxes and fees  
10 on an interim basis and \$16,700 on a final basis.

11           We have shared drafts of the motion with the  
12 United States Trustee prior to the petition date and  
13 incorporated any comments received. And unless Your Honor  
14 has any questions, we would respectfully request that Your  
15 Honor enter the order, the interim order attached to the  
16 taxes motion as Exhibit A.

17           THE COURT: Does anybody wish to be heard  
18 regarding the taxes motion?

19           (No verbal response)

20           THE COURT: Okay. I hear no response.

21           Based upon the evidence before me in the form of  
22 Mr. Maib's declaration, I do find that any irreparable harm  
23 would come to the debtors if I did not grant this relief on  
24 an interim basis. The debtor simply needs to pay its taxes  
25 and avoid the sorts of consequences that you described. I'd

1 also note that the amounts at stake here are minimal, but the  
2 consequences of not paying those amounts could be quite  
3 upsized. So, I'm certainly satisfied that the debtors have  
4 shown why it's appropriate and I would grant the motion on an  
5 interim basis.

6 MR. BENZ: Thank you, Your Honor.

7 I will now cede the podium to my colleague,  
8 Ms. Paddock.

9 THE COURT: Okay.

10 Welcome, Ms. Paddock.

11 MS. PADDOCK: Thank you. Good morning, Your  
12 Honor.

13 For the record, Alyssa Paddock, Sheppard, Mullin,  
14 Richter & Hampton, proposed counsel to Village Roadshow  
15 Entertainment Group USA and its affiliated debtors.

16 Your Honor, first, I will turn to the debtors'  
17 cash management motion, which is Agenda 7 and filed at  
18 Docket 7.

19 This motion has been previewed with the U.S.  
20 Trustee and last night we received a couple comments to add  
21 clarifying language to the proposed interim order from Alcon  
22 and Warner Bros.; both of those comments have been  
23 incorporated and, again, shown to the U.S. Trustee.

24 We actually have a new redline that's fresher than  
25 the one we sent to the Court this morning, if I could bring

1 it up to you.

2 THE COURT: Yes, please.

3 MS. PADDOCK: May I approach?

4 THE COURT: Yes, you may.

5 Thank you, Ms. Paddock.

6 MS. PADDOCK: Your Honor, this motion seeks  
7 authority for the debtors to continue operating their  
8 existing cash management system in the ordinary course, honor  
9 prepetition obligations relating to bank fees, and to  
10 continue to honor intercompany transactions in an ordinary  
11 course, as well as seek administrative expense priority for  
12 post-petition intercompany claims.

13 The debtors' cash management system, like most, is  
14 designed to collect, transfer, and disburse funds through the  
15 debtors' operations and to accurately record such  
16 collections, transfers, and disbursements. Continued use of  
17 this cash management system is critical to support the  
18 debtors' current operations, and I can provide Your Honor  
19 with a quick overview of the schematic attached to the motion  
20 as Exhibit D.

21 THE COURT: Certainly.

22 MS. PADDOCK: Your Honor, as you will see here,  
23 while the debtors technically have 21 bank accounts, they  
24 only operate and control 6. The bottom 14 accounts are all  
25 restricted and operate at the direction of the ABS trustee

1 and pursuant to various transaction agreements.

2           Historically, the debtors only receive money from  
3 those accounts on a quarterly basis for a servicing fee  
4 that's calculated every quarter and differs from quarter to  
5 quarter. The debtors do not have direct control of those  
6 accounts and, similarly, the siloed accounts to the left of  
7 the page, is more of a pass-through account due to a cash  
8 flow arrangement based on a transaction for the sale of  
9 distribution proceeds with Alcon. That relates to one of the  
10 comments to the order. So the debtors do not operate that  
11 account; it's controlled by Alcon employees and they also do  
12 not have a right to any of the proceeds within that account.

13           So, the main accounts, and the only accounts they  
14 operate, are the six in the middle; the four, the U.S.  
15 operating accounts, the top one being the main operating  
16 account where they disburse checks and issue payments  
17 appeared receive payments, generally. Right below it is  
18 payroll, which is swept daily. And over on the right side  
19 are the two Australian accounts; those cover the processing  
20 fees and operation expenses for the Australian employees. We  
21 have six there, which I'll get to next. Generally, those  
22 amounts are covered by intercompany transactions from the  
23 main U.S. operating account to Australia and then converting  
24 that middle one and then paid out of the second one. Those  
25 accounts can, at times, bring in cash. It's much more rare,

1 but they are connected to various payables, based on all  
2 transactions.

3           Your Honor, the debtors submit that all these  
4 accounts in the U.S. are authorized depositories in  
5 accordance with the UST Guidelines. The Australian accounts  
6 are international or not [sic], but the debtors submit that  
7 they are in substantial compliance with 345(b). They are  
8 maintained at banks that are well-capitalized and insured, in  
9 accordance with Australian law.

10           However, though, the debtors -- with those two  
11 accounts (indiscernible), the debtors are -- are seeking  
12 interim suspension of the requirements of Section 345(b) for  
13 an initial period of 45 days, as set forth in the motion, and  
14 will continue to work with the U.S. Trustee going forward.

15           So, with all that background, as set forth in the  
16 motion, the debtors are seeking authority to continue to  
17 engage in routine intercompany transactions and honor  
18 intercompany claims in the ordinary course. The debtors  
19 maintain all of their records of their transactions and  
20 record them as receivables and payables. And, importantly,  
21 the debtors will not be transferring any amounts to non-  
22 debtor affiliates during these cases.

23           The debtors are also seeking administrative  
24 expense priority for intercompany claims post-petition.  
25 There's a bit of clarifying language regarding that in the

1 proposed order, which I can walk through at the end, that has  
2 also been agreed to with the U.S. Trustee.

3           Next, the debtors are seeking to pay prepetition  
4 bank fees, which are, of course, necessary in order to  
5 maintain these bank accounts. They accrue about a thousand  
6 dollars in bank fees per month, which is paid quarterly.  
7 Just since January 1st through the petition date, there's  
8 about \$2,670 outstanding on account of prepetition bank fees  
9 that need paid and will become due on March 31st.

10           Finally, from a substantive standpoint, the  
11 debtors are seeking to utilize their current business forms,  
12 as changing forms would be unnecessarily and dutily  
13 burdensome and expensive for the estate. All of the requests  
14 for relief in this motion, Your Honor, is standard with  
15 (indiscernible) in this court and the debtors submit that any  
16 disruption to the current cash management system would  
17 substantially diminish and impair the debtors' efforts in  
18 these Chapter 11 cases.

19           As set forth in the motion, Bankruptcy Rule 6003  
20 is implied and the relief requested, the debtors believe is  
21 integral to the operations and without it, the debtors would  
22 suffer immediate and irreparable harm to their estates.

23           If Your Honor would like, I can walk through the  
24 changes in the order.

25           THE COURT: Right. It looks like paragraph 8, you

1 have the language that you just mentioned about the ordinary  
2 course, intercompany claims.

3 MS. PADDOCK: Yep, and that was agreed to with  
4 Warner Bros. and the U.S. Trustee.

5 And then paragraph 9 just adds the clarifying  
6 language from Alcon, with respect to those accounts that the  
7 debtors have, but do not operate.

8 THE COURT: Okay.

9 MS. PADDOCK: So, unless there's any other  
10 questions, I would request entry of the interim order, as  
11 previewed in the redline, Your Honor.

12 THE COURT: Okay. Let me first ask if there's  
13 anyone in the courtroom who would like to be heard regarding  
14 the cash management motion?

15 Mr. Harvey, good morning.

16 MR. HARVEY: Good morning, Your Honor.

17 And for the record, Matthew Harvey from Morris,  
18 Nichols, Arsht & Tunnell.

19 I rise to simply thank the debtors for resolving  
20 this comment with us and also to introduce my co-counsel, Mr.  
21 Stephen Warren from O'Melveny & Myers; we represent,  
22 together, Warner Bros. Entertainment, Inc. and certain of its  
23 affiliates.

24 And I know Mr. Warren wanted -- had a few comments  
25 he wanted to provide the Court and whether it's appropriate

1 to do that now or in connection with the DIP, I just wanted  
2 to introduce him and offer that to Your Honor now.

3 THE COURT: Okay. I'm happy to hear from  
4 Mr. Warren now.

5 MR. HARVEY: Okay. Thank you, Your Honor.

6 THE COURT: Thank you, Mr. Harvey.

7 Mr. Warren, good morning.

8 MR. WARREN: Good morning, Your Honor. Thank you  
9 very much.

10 Stephen Warren of O'Melveny & Myers, appearing on  
11 behalf of Warner Bros. Entertainment, Inc. and its  
12 affiliates. I'll refer to those as "Warner." Also appearing  
13 remotely with me are Scott Drake and Emma Jones of  
14 O'Melveny & Myers.

15 I want to thank the Court, initially, for allowing  
16 us to appear remotely. I'm in California and my colleagues  
17 are in Texas. We'd be there if we physically could have, so  
18 I appreciate the kindness that Your Honor has shown us in  
19 allowing us to appear remotely.

20 I will probably save most of my comments, perhaps,  
21 for when we get to the DIP. That's probably the meatier  
22 section, so, perhaps, we can talk again, then.

23 I do want to thanks the debtors for adding  
24 language here and clarifying that the intercompany transfers  
25 will only be ordinary course and will be subject to Rules in

1 terms of value being received to the estate.

2 So, thank you very much for that clarification and  
3 we'll be back at the DIP. Thank you, Your Honor.

4 THE COURT: Okay. Thank you, Mr. Warren.

5 Is there anybody else who would like to be heard  
6 regarding the cash management motion?

7 (No verbal response)

8 THE COURT: Okay. I hear nobody in the courtroom.  
9 Mr. Rubinstein, good morning.

10 MR. RUBINSTEIN: Good morning, Your Honor.

11 Vadim Rubinstein of Loeb & Loeb, counsel to Alcon  
12 Entertainment and its affiliated companies, including  
13 (indiscernible) Pictures.

14 First, Your Honor, thank you, again, for allowing  
15 me to appear remotely at the hearing on short notice; it's  
16 greatly appreciated.

17 THE COURT: Certainly.

18 MR. RUBINSTEIN: I want to introduce my co-  
19 counsel, Ms. Kimberly Brown from Landis Rath & Cobb, who is  
20 in the courtroom this morning, and she's been directing with  
21 the debtors in my stead.

22 I will also save some comments for the DIP order.  
23 For purposes of this particular motion, I will say, first, as  
24 it relates to the debtors, we do question whether the entity  
25 VREG Wonka IP Global LLC is before Your Honor and should be

1 before Your Honor as a debtor under the Bankruptcy Code. We  
2 are considering that issue.

3 But the debtors have been gracious in their  
4 negotiations regarding the cash management order and they  
5 certainly have relieved some of our concerns and we thank the  
6 debtors for that and for including the language in the first  
7 day order and we appreciate that.

8 With respect to the other matters in the case, I  
9 will just leave it for now and I'll pick it up at the DIP.

10 THE COURT: Okay.

11 MR. RUBINSTEIN: And Your Honor (indiscernible)  
12 the DIP.

13 THE COURT: Thank you, Mr. Rubinstein.

14 Is there anybody else who would like to be heard  
15 regarding cash management?

16 (No verbal response)

17 THE COURT: Okay. I hear no response.

18 Based on the evidence before me in the form of  
19 Mr. Maib's declaration and finding the routine, that this is  
20 relief that's routinely requested in a first day and if I did  
21 not enter this order, immediate and irreparable harm would  
22 come to the debtors and, therefore, I'm happy to grant the  
23 motion on an interim basis.

24 MS. PADDOCK: Thank you, Your Honor.

25 Next up, we will turn to the wages motion, which

1 is Agenda 8 and filed at Docket 8.

2           This motion, too, has been previewed with the U.S.  
3 Trustee and, thankfully, no comments were received, so we are  
4 seeking relief of Your Honor to enter the interim order, as  
5 filed.

6           Your Honor, as you've likely seen in the first day  
7 declaration and in this motion, the debtors have really  
8 tapered their workforce significantly over the last several  
9 months as part of cost-cutting measures and the result of  
10 that is the employees that the debtors do have remaining are  
11 an absolutely critical workforce. And each employee is vital  
12 to the company's operations to continue through these  
13 Chapter 11 cases.

14           The debtors workforce consists of five U.S.  
15 employees, two executives and three administrative  
16 professionals, and six employees in Australia, all of which  
17 who are members of the debtors' accounting team.

18           Like almost every other Chapter 11 case and even  
19 more so here, the debtors' employees are essential to their  
20 operation. In this particular case, these employees have a  
21 history with the company, have been integral to its business  
22 for many years, and like all employees, rely on this  
23 employment for, themselves, and their families. During these  
24 cases, it is imperative that the debtors retain these  
25 employees in order to continue uninterrupted operations

1 through these cases and through the proposed sale of the  
2 debtors' assets.

3 I can walk Your Honor through a few of the main  
4 points, as set forth in the motion. The debtors offer a  
5 standard suite of employee benefits and as you'll see in the  
6 motion, the amount that the debtors are seeking to pay for  
7 outstanding prepetition amounts is actually quite low. This  
8 is on account of a payroll that went out on Friday the 14th,  
9 so the only amount of wages that have accrued since are over  
10 the weekend.

11 I do want to bring Your Honor's attention to one  
12 thing in the chart that is in the motion. The chart  
13 conflicts with the body of the motion a little bit and does  
14 not request amounts for reimbursable expenses, which are  
15 things like business expenses, credit card payments.

16 As you'll see in the motion, Your Honor, we are  
17 seeking a thousand dollars in that bucket on an interim and  
18 final basis to pay any possible outstanding prepetition  
19 reimbursable expenses that are owed to the employees. As  
20 Your Honor will see, the kind of main buckets that have  
21 outstanding amounts are the employee leave benefits which are  
22 generally comprised of accruing PTO in accordance with  
23 company policy, both in the U.S. and Australia.

24 And the really large amount, comparatively,  
25 requested through this motion is what is called the

1 "Australian employee termination pay" bucket. This is an  
2 account of two different concepts that are required under  
3 statutory law in Australia, which is the Australia employee  
4 termination pay and then the redundancy pay. Those are both  
5 required under Australian law.

6 And I think it is important to note here that  
7 while we are seeking authority, but not direction, to pay  
8 this on an interim basis, we do not currently anticipate a  
9 cash payment will go out. This is an amount that has accrued  
10 prepetition and it could become due at any time and that is  
11 why we are seeking Your Honor's authority to pay it at any  
12 time when it becomes due in accordance with Australian law.

13 I would, again, note that Rule 6003 is implicated  
14 and for the reasons set forth in the motion and stated here,  
15 the ability to pay the employees that we do have and maintain  
16 their benefit programs through these Chapter 11 cases is  
17 absolutely critical to prevent irreparable harm.

18 Unless Your Honor has any questions, I would  
19 request Your Honor enter the interim order, as attached to  
20 the motion.

21 THE COURT: Is there anybody who would like to be  
22 heard regarding the wage motion?

23 (No verbal response)

24 THE COURT: Okay. I hear no response.

25 Based upon the evidence before me in the form of

1 Mr. Maib's declaration, I do find that immediate and  
2 irreparable harm would come to the debtors if I did not grant  
3 this relief. It's unthinkable that the employees should have  
4 to continue to work while there's uncertainty about whether  
5 they can even be paid timely for the work that they've  
6 performed for the debtors prepetition and receive the  
7 benefits that they count on and they bargained for in  
8 connection with their employment. So, I'm happy to grant  
9 this motion on an interim basis.

10 MS. PADDOCK: Thank you very much, Your Honor.

11 And I will now cede the podium back to Justin  
12 Bernbrock.

13 THE COURT: Okay. Thank you.

14 Mr. Bernbrock?

15 MR. BERNBROCK: Thank you, Your Honor.

16 Bear with me one moment, please.

17 (Pause)

18 MR. BERNBROCK: Again, for the record, Your Honor,  
19 Justin Bernbrock of Sheppard, Mullin, Richter & Hampton,  
20 proposed counsel to the debtors and debtors-in-possession.

21 Your Honor, the final item on today's agenda is  
22 Item 9, Docket 9, the debtors' motion for authorization to  
23 enter into and borrow under the proposed debtor-in-possession  
24 financing facility. Your Honor, as is common in cases of  
25 this type, the pleadings set forth the basis for the relief

1 requested. We also have the evidentiary support of the  
2 declarations provided by Mr. Maib and Mr. Koutsonicolis from  
3 SOLIC Capital.

4 I want to highlight a couple of headlined  
5 components, just to reiterate from the overview presentation  
6 that I gave. The facility size is just shy of \$13 million,  
7 of which \$7 million is proposed to be new-money financing.  
8 And then there's a proposed roll-up component of \$5,786,105  
9 and we are proposing to roll that up *pari passu* with the DIP  
10 liens.

11 There's a standard carve-out in the proposed DIP  
12 order. In other packages, or I'd say an are broader package  
13 of components, afforded for the benefit of the DIP lenders  
14 and certain other parties, most notably, adequate protection  
15 for certain prepetition secured parties, the ABS trustee and  
16 their counsel, as well as the senior, secured noteholders, as  
17 well.

18 I want to flag what I think is probably one of the  
19 more controversial components of the proposed financing,  
20 which is the prepetition financing is in separate silos and  
21 the chief reason for that is that the ABS silo, where  
22 substantially all of the library asset value sits, has highly  
23 restrictive covenants and components in both, the base  
24 indenture and amendments and supplements thereto, as well as  
25 any organizational documents restrict the incurrence of debt

1 at those entities.

2           The proposed debtor-in-possession financing would  
3 be at all entities throughout the debtors' structure. The  
4 exception or the limitation is that at the ABS entities, the  
5 DIP would go and subordinate to the ABS collateral and liens  
6 and so on. Everywhere else in the structure is proposed to  
7 be superseding or first priority, but it is different than  
8 what is prepetition.

9           We have done some research on this point. I think  
10 that the leading case is, In re Vanguard Diversified, 31 B.R.  
11 364, which comes from the Eastern District of New York; I  
12 think a Judge Duberstein decision, if I have my facts right.  
13 There was a four-factor test established by that Court and  
14 those factors are that the Court should consider whether,  
15 absent the proposed financing, the debtors' business  
16 operations will not survive; two, the debtor is unable to  
17 obtain alternative financing on acceptable terms; three, the  
18 proposed lender will not accede to less-preferential terms;  
19 and, four, the proposed financing is in the best interests of  
20 the general creditor body.

21           We believe that we satisfy, and we set out more  
22 fully in the papers how we satisfy those factors. It's plain  
23 from the evidence in Mr. Maib's declaration that the debtors  
24 do have a cash need to operate and, ultimately, get to a  
25 consummation of the library sale.

1           You know, what is at least interesting to note is  
2 the proposed library sale, if we just take the three-hundred-  
3 and-sixty-five-million-dollar number and we less the ABS  
4 obligation, which are approximately \$223 million, we have a  
5 net result of \$142 million. And then the DIP would be  
6 immediately junior to that ABS obligation.

7           So, as those ABS entities, where we believe the  
8 only material, potential creditor is Warner Bros., we have  
9 excess proceeds of approximately \$140 million or \$130 million  
10 if you were to assume that the DIP were to be fully funded  
11 and repaid. The Warner Bros. claim, we believe, at present,  
12 is unliquidated and there are certain confidentiality  
13 provisions that govern what we can say about that particular  
14 arbitration proceeding, but there are significant excess  
15 proceeds and, I'm sorry, and certainly not representing that  
16 Warner Bros. believes that those are sufficient to satisfy  
17 its claim or that they're insufficient or that the debtors  
18 assert otherwise. The point is, that is a significant sum of  
19 money that creates a cushion at those ABS entities, again,  
20 where no other material unsecured creditors sit.

21           The Vanguard decision, Your Honor, just to button  
22 that up, was recognized by Judge Stickles in this court, in  
23 the In re Blink Holdings case, as well as the In re Mondee  
24 Holdings case, and I believe those are cited in our papers;  
25 if not, we have the case numbers that we can provide.

1 THE COURT: Uh-huh.

2 MR. BERNBROCK: So, I do want to talk about a  
3 couple of other components here. With respect to our friend,  
4 Mr. Rubinstein and our friends at Alcon, the broader  
5 arrangement or business deal and transaction between the  
6 parties is that we, on a prepetition basis, sold to Alcon,  
7 the stream of payments in connection with the Wonka film --

8 THE COURT: Uh-huh.

9 MR. BERNBROCK: -- not with Mr. Wilder. This is  
10 the new one with the Chalamet fella.

11 The way that that operates or at least the way  
12 that the stream of cash operates is that the money comes into  
13 a debtor, effectively, a lockbox account. It is then  
14 automatically, and without any action by the debtors, swept  
15 and paid to Alcon.

16 Some of the language that we have put into the  
17 proposed DIP order addresses that any liens granted in  
18 connection with the DIP order and the superpriority  
19 administrative claims, et cetera, do not and shall not  
20 encumber that which the debtors don't own. And I think it's  
21 fair to say that's a very reasonable ask by Mr. Rubinstein  
22 and we're happy to incorporate it, and it accords with our  
23 understanding of the law.

24 And in a moment I'll hand up a proposed order. We  
25 did receive a proposed paragraph from the Warner Bros.

1 entities and claimants. And let me just say to each of Mr.  
2 Rubinstein and Mr. Warren, we're very, very grateful for your  
3 reasonableness, your willingness to work with us, and we hope  
4 that it spells good vibes, I guess, for the future, and --  
5 because we may have to call upon those.

6           The point, I think, of the Warner Bros. language,  
7 and it will and it shall speak for itself, and of course  
8 Mr. Warren will speak to it as well, it is to preserve the  
9 status quo as between the parties. There is permission to  
10 make the initial funding; however, to the extent that it is  
11 subsequently determined by this Court or other court of  
12 competent jurisdiction that there are infirmities or other  
13 limitations with respect to what's proposed in connection  
14 with this facility, there will be another opportunity,  
15 particularly in connection with the final order, to revisit  
16 that. And certainly our sincere hope and my commitment to  
17 Mr. Warren, and his colleagues and his client, is that the  
18 debtors are prepared to do whatever possible to resolve that  
19 in advance of that final order hearing.

20           Mr. Ahdoot, my dear, dear friend, it warms my  
21 heart to see him on the Zoom screen, he represents several of  
22 the Guilds. So this is the Screen Actors Guild of American,  
23 the Writers Guild of America, as well as the Directors Guild  
24 of America, and I'll say other because I know that there are  
25 other related union types in connection with the companies.

1           So these creative people and members of these  
2 Guilds, as part of their agreements to participate in motion  
3 pictures and television and other entertainment projects,  
4 have very robust and quite notable rights and claims, some of  
5 which become secured claims at various entities, and they  
6 attach to certain projects. We, you know, in the very short  
7 time between the petition date and this hearing have not had,  
8 and it would be unfair to Mr. Ahdoot to say that we have had  
9 nearly enough time to go through and make sure in each and  
10 every instance whether there's a valid lien claim or whether  
11 amounts are due and owing. My representation to Mr. Ahdoot  
12 when we spoke yesterday was that we will work between now and  
13 the final order to determine what those claims are, if any,  
14 and treat them as the Bankruptcy Code requires, whether  
15 that's adequate protection payments, whether that's through  
16 additional lien -- whatever the law provides, they will get.

17           I think, as I understand some email traffic that's  
18 been going on during the hearing, the best way that we might  
19 address this is to have a paragraph that mirrors, at least in  
20 many respects, the paragraph supplied by Warner Bros. for  
21 Mr. Ahdoot's clients as well.

22           Lastly, we are doing something or at least  
23 proposing to do something novel with respect to this motion.  
24 We have a proposed transaction support agreement that was  
25 affixed to the motion. And this is -- I will claim credit if

1 it goes badly; if it goes well, it was my partner's idea --  
2 the idea here is we have a facility -- we have a  
3 securitization facility where, while we know the holders and  
4 we know who the trustee is, were we to have had substantive  
5 engagement with those holders in a very limited prepetition  
6 window, we would have infected them with material nonpublic  
7 information, restricting their ability to trade. And so,  
8 after having many discussions with my new friend Mr. Galvan  
9 at the Barnes & Thornburg firm, we ultimately concluded that  
10 it would be best to wait until the petition date, the cases  
11 had been filed, to engage with the holders under that ABS  
12 facility.

13           That of course puts Mr. Gavant and his client,  
14 U.S. Bank, in an uncomfortable position as an indenture  
15 trustee who knows something and is not able to engage with  
16 its holders, while at the same time, very graciously, seeking  
17 to help the debtors in what we're trying to accomplish with  
18 respect to these bankruptcy cases generally. The farthest --  
19 and to his credit, the farthest that I could push Mr. Gavant  
20 was that we would agree to a form of a transaction support  
21 agreement, very similar to a restructuring support agreement,  
22 whereby we have made various commitments to the ABS trustee  
23 and the holders thereunder, they have made -- are proposing  
24 to make commitments to the debtors. The trustee cannot,  
25 shall not, will not sign that document unless and until 50.1

1 percent of the holders under that facility give the direction  
2 for the trustee to do so.

3           And, again, I really wanted to thank Mr. Gavant  
4 because there could have been many other reactions to this  
5 idea of attaching a proposed, agreed-as-to-form agreement,  
6 but this is -- it's unique here and critical, and I would say  
7 that the relief we're requesting could, if denied, give rise  
8 to immediate and irreparable harm because -- and I'll give a  
9 specific example in a second -- there are components of the  
10 indenture that prefer to operate automatically without any  
11 further action by the trustee, the most notable example is  
12 the debtors act as servicer under the ABS facility, and this  
13 is largely the operations conducted in Australia. So, in a  
14 world where we don't have the benefits and protections of  
15 this proposed transaction support agreement, we may have to  
16 scramble to find a replacement servicer to step in and do the  
17 collection of money in connection with that facility.

18           There are a number of components, I won't go into  
19 all of them, but the overarching theme of what we're trying  
20 to accomplish with that transaction support agreement is  
21 that, so long as we hold good on our end of the bargain,  
22 which is the first \$223 million and then some that come from  
23 our sale of their collateral we're going to pay to them,  
24 retire that facility in full indefeasibly, and in the  
25 meantime we ask them to sort of ride along with us and not

1 oppose that which we are trying to do.

2           So that's the transaction support agreement. I  
3 will note for -- because I don't want it to be not noted that  
4 the United States Trustee's Office I think does have some  
5 concern with that document and our request that it be -- the  
6 debtors be authorized, but not directed, to enter into that  
7 if, and only if, the ABS noteholders give the direction to  
8 U.S. Bank. What we want to have the ability to do is then  
9 countersign that document immediately. It's a post-petition  
10 agreement outside the ordinary course of business; we have  
11 cited Section 363 to seek that relief.

12           I've got a -- at least whatever the current draft  
13 of the order was that -- when we clicked print, but before I  
14 tick through that, perhaps, Your Honor -- well, first let me  
15 ask, does Your Honor have any questions about the debtors'  
16 motion and the relief requested?

17           THE COURT: No, I think I understand what you're  
18 trying to do.

19           MR. BERNBROCK: Thank you, Your Honor.

20           THE COURT: Yes.

21           MR. BERNBROCK: And then I would propose, subject  
22 to Your Honor's concurrence, perhaps Mr. Warren, Mr.  
23 Rubinstein, Mr. Ahdoot, if they want to speak now, and then I  
24 can go into the order itself.

25           THE COURT: Yeah, let me first ask if there's

1 anyone in the courtroom who would like to be heard regarding  
2 the DIP motion.

3 Ms. Sierra-Fox. Good morning.

4 MS. SIERRA-FOX: Good morning, Your Honor, Rosa  
5 Sierra-Fox on behalf of the U.S. Trustee.

6 Your Honor, I think our objection is simple. I  
7 think, generally, we don't believe -- the U.S. Trustee does  
8 not believe that entry into the transaction support agreement  
9 is necessary under Rule 6003 to avoid immediate and  
10 irreparable harm, and I can explain why we believe that.  
11 But, Your Honor, in the alternative, I think another  
12 potentially satisfactory way to resolve this, if Your Honor  
13 is inclined to allow the debtors that authority on a first  
14 day basis, is to supplement the record as to the necessity  
15 for this relief.

16 I think Mr. Bernbrock's introduction and argument  
17 was certainly helpful, but I do think that as far as evidence  
18 on the record on this point, the best I think that's been  
19 addressed here is the chief restructuring officer's  
20 declaration at about paragraph 21. Perhaps there's more of a  
21 proffer that the debtors can offer so this Court and the  
22 public can be rest assured that it is -- you know, there is a  
23 potential here for immediate and irreparable harm if the  
24 transaction support agreement, the debtors are not authorized  
25 to enter into that once the trustee has the authority from

1 the requisite noteholders.

2 But, Your Honor, looking at the substance of the  
3 transaction agreement, I think -- and I discussed this with  
4 debtors' counsel -- I see it as an agreement that agrees to  
5 preserve the status quo in a certain sense, the parties  
6 continue to act how they were acting under the respective  
7 agreements; however, I do see potential implications for Rule  
8 6003. The debtors are incurring a post-petition  
9 indemnification obligation, that's Section 6-4 of the  
10 transaction support agreement. The issue about the servicer  
11 also implicates a potential assumption or of an executory  
12 contract and, like I said, Your Honor, Rule -- and as I  
13 referenced, Rule 6003 does not allow the debtor to incur  
14 those types of obligations within the first 21 days of the  
15 case unless it's immediate -- necessary to avoid immediate  
16 and irreparable harm.

17 And, Your Honor, if the parties have agreed, and  
18 here meaning the ABS trustee and the debtors have agreed to  
19 abide by a certain set of conduct up through the interim  
20 hearing, I think the parties are certainly going to be well  
21 served by proceeding in that way, and they can certainly  
22 continue to act in that way up until the final hearing when,  
23 hopefully, this agreement and -- notice of this motion and  
24 this agreement has gone out on notice as required by the  
25 rules.

1           Simply put, Your Honor, I don't know -- I guess  
2 what I don't know, and parties don't know what they don't  
3 know, so I'm not sure if this implicates the rights of other  
4 parties that have yet to appear, and, even if those parties  
5 have appeared, whether they've had enough time to fully  
6 understand the implications of entering -- the debtor having  
7 authority to enter into this transaction support agreement.

8           So for those reasons, Your Honor, we don't  
9 believe -- the U.S. Trustee does not believe that the debtors  
10 should be authorized to do that, at least on an interim  
11 basis, and that's addressed -- the relevant part of the order  
12 that addresses this, Your Honor, is paragraph 24. So, to the  
13 extent there are -- Your Honor is inclined to agree with the  
14 U.S. Trustee in any way, I believe that's where we'd need to  
15 make changes to the order.

16           And, Your Honor, like I previewed at the outset,  
17 alternatively perhaps, if Your Honor is inclined to allow the  
18 debtors to enter into this agreement on an interim basis,  
19 perhaps the parties and the debtors can do -- offer some  
20 further, more robust evidentiary support as to what harm  
21 would result if they don't have this support agreement.

22           Thank you.

23           THE COURT: Okay. Thank you so much, Ms. Sierra-  
24 Fox.

25           Yes, Mr. Gavant, welcome.

1 MR. GAVANT: Thank you, Your Honor. Aaron Gavant  
2 from Barnes & Thornburg on behalf of the ABS trustee, and I'm  
3 here with my colleague Amy Tryon also --

4 THE COURT: Good morning.

5 MR. GAVANT: -- from the Delaware office.

6 I was going to take the opportunity to introduce  
7 who my client is, Mr. Bernbrock did a phenomenal job, but  
8 obviously we are a primary stakeholder in this case and  
9 certainly in one of the silos that we've been discussing. We  
10 are just the trustee -- I don't put just -- I know we have an  
11 important role, but as has been explained we are the legal  
12 title holder of the interests here and we want to make sure  
13 we're acting for the beneficial interest holders, who we have  
14 not yet had the opportunity to speak to.

15 We do think the proposed sale, which is not up  
16 before Your Honor today, of the library assets, is sort of  
17 the key component of the case, and so we have tried to work  
18 cooperatively with the debtors. To repeat what was said in  
19 the papers and what has been said from the podium today, the  
20 debtors have been forthright with us. We believe we have  
21 been engaged in good faith negotiations. We understand what  
22 they're trying to do with the DIP, we understand what they're  
23 trying to do with the sale, and it's really just due to  
24 timing that we have not yet been able to sign the transaction  
25 support agreement that is before Your Honor today. We've

1 worked on a structure that we think could get there. Would  
2 we in other circumstances potentially have been able to sign  
3 that prepetition? Yes. May we be -- will we potentially be  
4 in a situation to sign that shortly? Also potentially yes,  
5 also potentially no, we don't know yet. Subject to all, we  
6 filed a reservation of rights on these points. We don't know  
7 what our holders will say, but all of that is to say that we  
8 think there's real value for the debtors, obviously -- and  
9 it's their case to make, but in keeping this case moving, and  
10 we're trying to be a helpful partner in that.

11 And so, again, we have to speak to our holders,  
12 but we do think there is value in giving the debtors the  
13 authority to enter that agreement today, even if not the  
14 direction. But I also wanted to answer any questions Your  
15 Honor might have on that structure.

16 THE COURT: I think it creates an interesting  
17 issue, right? If you're not yet authorized to enter into the  
18 agreement, the debtor is asking me to approve something  
19 without it actually being, I guess for want of a better term,  
20 ripe to be adjudicated. You may get there, you may not; you  
21 may get there on different terms.

22 So, if there is no actual agreement among the  
23 parties to enter into this transaction, then should I be  
24 approving it at all right now?

25 MR. GAVANT: So, I understand what Your Honor is

1 saying. I might take some issue with saying that we're not  
2 willing to enter into the agreement. There is one -- there  
3 are two parties --

4 THE COURT: No, not that you're not willing, it's  
5 just that you're not there.

6 MR. GAVANT: Correct.

7 THE COURT: I think the point that you made, and I  
8 read your written submission as well, is that you need to  
9 talk to the holders. So you're kind of in an in-between  
10 position right now. You know what you're recommending to  
11 them, I suppose, but you don't know yet if you have the  
12 consent of the client to do it.

13 MR. GAVANT: And that's right. To speak really  
14 just in practical terms, rather than legal terms, this is  
15 probably the most efficient way to do it. If holders do  
16 support this agreement, we will be in a position to move  
17 quickly. And I know there's time pressures here and so,  
18 again, we're trying to be good partners.

19 THE COURT: Yeah.

20 MR. GAVANT: And so, yes, to your point, Your  
21 Honor, if we get approval on this form, which the trustee is  
22 willing to sign, this is the best way to move quickly, but I  
23 confirm that we do not yet know how holders will react.

24 THE COURT: Understood. Okay. Thank you, Mr.  
25 Gavant --

1 MR. GAVANT: Thank you.

2 THE COURT: -- I appreciate it.

3 Is there anybody else in the courtroom who would  
4 like to be heard?

5 (No verbal response)

6 THE COURT: Okay. Let me start with Mr. Warren,  
7 please.

8 MR. WARREN: Thank you very much, Your Honor.  
9 Again, Steven Warren, O'Melveny & Myers, on behalf of Warner  
10 Bros.

11 I always like to start with good news, and the  
12 good news is I can confirm what Mr. Bernbrock said, we've  
13 made tremendous progress in terms of the language that would  
14 reserve Warner's rights with respect to the DIP, the adequate  
15 protection, the liens, the whole suite of rights that are  
16 covered in that motion. I think we may be down to a word or  
17 two, and we understand there will be some discussion after  
18 the hearing just to resolve those last little cleanup items.  
19 But the gist of it is that all of Warner's objections that it  
20 would otherwise be presenting today can be heard at the final  
21 and all preserved with respect to the liens and the adequate  
22 protection.

23 We do consent to the \$500,000 going out, no point  
24 battling over that sum of money given the numbers here  
25 otherwise in terms of claims, but there are protections for

1 our rights under contract and (indiscernible) granted, and  
2 rights with contracts with us are subject to those contract  
3 rights, and the rights with respect to IP are subject to --  
4 they don't alter, they don't supersede any of our IP rights.  
5 And so we've (indiscernible) ourselves I think to another  
6 day.

7           And, in some circumstances, I'd like now just to  
8 sit down -- or, I guess, turn my mic off, but with the  
9 Court's indulgence, I'd like to spend a little bit of time  
10 addressing points that Mr. Bernbrock raised in his initial  
11 presentation, in part, table setting. And I always think  
12 it's odd when parties reserve rights and then don't explain  
13 at all what it is that they're preserving and why it's  
14 relevant, and I'd like to, with the Court's indulgence, spend  
15 a couple of minutes doing that.

16           Your Honor, the parties' relationship, covered to  
17 some extent by the Maib declaration, but it really goes back  
18 to 1998 and it covers a huge suite, I think it's over 90  
19 theatrical films that you would recognize: The Matrix,  
20 Oceans 11, Sherlock Holmes. Warner is the creative spark in  
21 all of these franchises, it has the exclusive right to create  
22 the content, decide whether a film will be produced, and what  
23 the film will be and what its contents will be, that's  
24 exclusively Warner, but Village has -- as had under the  
25 parties' agreement, has a financial interest. It can

1 finance, co-finance the pictures and, if it does, it gets a  
2 participation, it shares the revenue stream.

3 And so when we hear about the library assets,  
4 we're talking about those films, they've already been  
5 produced, there's money coming in, and it's getting split,  
6 that's the language. But there's also a right in certain  
7 circumstances for derivative assets or new motion pictures.  
8 If Warner, with respect to these existing franchises, decides  
9 to create a new film, in that event, then Village can  
10 (indiscernible) finance.

11 At the beginning of our relationship, Your Honor,  
12 Village was a failing (indiscernible) company, it's since,  
13 you know, owned by a high-powered private equity firm, and  
14 you heard a decision was made to fundamentally alter their  
15 business model. They went from financing motion pictures  
16 created by others to creating their own content, and they've  
17 candidly admitted that that effort resulted in failure.  
18 Unfortunately, from our perspective, Your Honor, when that  
19 failed, Village failed to live up to its contractual  
20 obligations with respect to co-financing.

21 The dispute between the parties grows out of the  
22 Matrix franchise, Matrix Resurrections. That was a co-  
23 financing arrangement and understood that Village had  
24 committed to co-finance. Based on that reliance on that  
25 commitment, Warner spent \$200 million to produce the film,

1 \$100 million to market it, and then Village did not step  
2 forward and provide co-financing. That's led to a years-long  
3 arbitration that has gone on for quite a bit.

4 I know there were some redacted sections, it is a  
5 confidential arbitration, and so some items can only be  
6 shared with the Court through redactions *in camera* and  
7 clearing the court, or however one might do that, but there's  
8 some things I can share with you. The first thing is we very  
9 much contest, and you won't be surprised to hear, some of the  
10 characterizations in the redacted section regarding what  
11 happened during the arbitration.

12 Now, I can share some other facts with you because  
13 they're not confidential, they've either been disclosed or we  
14 have the right to do so. Liability has already been  
15 determined, the arbitrators have already decided that Village  
16 breached its obligations with respect to the Matrix  
17 preliminary injunction, that's done, all that's left is to  
18 determine the damages. And, again, with respect to the  
19 public record I can tell you Warner took the position at the  
20 inception of the dispute that it was owed approximately \$100  
21 million, maybe even a bit more, and that number hasn't gone  
22 down. So that, I think, sets kind of the goal posts of the  
23 dispute.

24 I really did appreciate the presentation and the  
25 candor to the Court that there's some real concerns about

1 transactions that took place here. After Warner Bros.  
2 succeeded in establishing liability in the arbitration, the  
3 derivative assets were moved out of the entities that were  
4 obligors -- are obligors of Warner Bros. and the newly-  
5 created special purpose entities for a dollar, for a dollar  
6 apiece. These are rights that Village had taken the position  
7 are worth quite a lot of money and, for a dollar, they  
8 transferred them out, and then we subsequently found out that  
9 those new entities guaranteed and pledged those derivative  
10 rights which could not have been pledged under the agreements  
11 with Warner up to the parent's debt. And we've taken the  
12 position that the transactions were a fraudulent transfer,  
13 we've taken the position that the pledges were fraudulent,  
14 intentional or constructively fraudulent transfers, and Mr.  
15 Bernbrock has flagged that for you.

16           With respect to the assets, Your Honor, if I could  
17 just spend a moment. The schematic that was provided was  
18 really very helpful to us, I'm sure it was to the Court too.  
19 The last page of the Maib declaration is that schematic  
20 showing kind of broad outline of the debtors, it's also I  
21 think at paragraph 17 of that declaration. If you look at  
22 the library assets, that's what's being sold here, over \$300  
23 million, if you look over on the right lower section of the  
24 schematic, you see those entities, there are four entities  
25 that have red boxes around them, those are the ones that

1 Warner has sued or is pursuing in the arbitration that they  
2 own the library rights, the income stream that comes in from  
3 the films. And you'll see there's -- you know, there's no --  
4 that the silo, I think as Mr. Bernbrock called it, of the  
5 notes, senior notes, they're not there, there's no green.  
6 They don't have claims, they don't have blues there.

7 But it's important because under the DIP motion  
8 (indiscernible) with financing that would invade those assets  
9 that are not subject to the (indiscernible) claims, there  
10 would be a rollup of their prepetition debt for which those  
11 parties are obligated, and there would be adequate protection  
12 for what is, in our view, an equity interest, right, because  
13 ultimately what those noteholders have is a claim on the  
14 equity of the equity of the equity of those, and we don't  
15 think you can bootstrap equity into a superpriority claim by  
16 adequate protection and going ahead of the creditors.

17 And the derivative rights we already talked about,  
18 you see that in the schematic, those green entities down at  
19 (indiscernible) those were the beneficiaries of the  
20 (indiscernible) transfers. Warner has rights under its  
21 agreements. Again, we think they prevented those  
22 transactions, we think applicable law prevented those  
23 transactions. And there are a handful of things -- you know,  
24 I'm kind of winding up here, Your Honor -- that concern us a  
25 lot. It's the validation of the liens and transfers that

1 took place with those shell entities of the derivative  
2 rights, there's a challenge period, but we're the only  
3 parties who were really hurt by this, we would say we were  
4 the target. There may be no other creditor that was as  
5 potentially injured as we were because value has escaped from  
6 entities that are obligated to us, but they're also -- they  
7 are also rights related to our content, so we may be the ones  
8 who are really most concerned about that.

9           Also, the grant of the rights with respect to the  
10 library assets, again, we're talking about the grants being  
11 given by the rollup and protection of entities that aren't  
12 claimants presently (indiscernible) that's a concern  
13 (indiscernible). It also grants the noteholders proceeds --  
14 or I should say the DIP lenders, but sort of noteholders  
15 proceeds of avoidance actions that, as we said, our concern  
16 is they may be the target of those avoidance actions, that  
17 doesn't seem to favor it.

18           There are many other concerns, those are the most  
19 pressing I wanted to raise with the Court and, hopefully,  
20 we'll be able to make progress, I don't know whether we'll be  
21 able to get all the way there. These are serious concerns  
22 and they go to a number of different parts of this proposal,  
23 but we're open to having those conversations. We're cheered  
24 by the fact that we got through today. This may be the first  
25 consensual thing amongst the parties that's happened, you

1 know, since -- with respect to the arbitration and these  
2 disputes for some time, and we're open to having further  
3 conversations.

4           The last little footnote, Your Honor -- and I know  
5 this is more of a second day issue, but we do want to make  
6 sure with respect to the sale process there's sufficient time  
7 to really analyze this and think about it. We don't think  
8 this is a melting ice cube. The debtor is a holding company,  
9 it has 11 employees. We're going to want to think about the  
10 timing to make sure that we understand all the transactions,  
11 where the money is going, is it going to be protected and  
12 preserved for the creditors who have claims directly at the  
13 level where the assets are.

14           With that, Your Honor, I'll hold myself open to  
15 questions, and thank you very much for your patience.

16           THE COURT: Thank you very much for the comments,  
17 Mr. Warren, I appreciate that helpful background.

18           Let me hear from Mr. Rubinstein, please.

19           MR. RUBINSTEIN: Good morning again, Your Honor,  
20 Vadim Rubinstein of Loeb & Loeb, counsel to Alcon  
21 Entertainment and its affiliates.

22           First, I wanted to echo what Mr. Warren has  
23 indicated regarding the debtors' cooperation with the DIP  
24 order, they have been quite cooperative and we thank the  
25 debtors in that regard, but in terms of -- I only rise for

1 the one issue of setting the stage and issues that Alcon may  
2 be bring to Your Honor's attention down the road, one of  
3 which does relate to the sale process that Mr. Warren has  
4 just discussed with you, in that Alcon has always viewed  
5 itself as one of the likely parties that would be interested  
6 in the purchase of the debtors' assets. And while the  
7 debtors may have a different view of things, it is certainly  
8 Alcon's belief that it was not afforded the opportunity to  
9 make a bid in this process despite its efforts leading up to  
10 this filing.

11 And so you will be hearing about this, I suspect,  
12 down the road, but I just wanted the Court to be aware of the  
13 fact that this shouldn't be a surprise, Alcon is an  
14 interested party here and Alcon expects to be heard with  
15 respect to the bid procedures motion down the road.

16 THE COURT: Thank you, Mr. Rubinstein.

17 Mr. Ahdoot, good morning. Welcome.

18 MR. AHDOOT: Good morning, Your Honor. It's nice  
19 to see you again.

20 THE COURT: Nice to see you.

21 MR. AHDOOT: David Ahdoot, Bush Gottlieb, on  
22 behalf of the entertainment guilds.

23 Your Honor, I rise very briefly, primarily to give  
24 thanks first to the Court for allowing us to appear by Zoom  
25 today, as well as on April 11th. I am in Los Angeles and it

1 was very much appreciated. My colleague Susan Kaufman is in  
2 the courtroom today as well.

3 THE COURT: Yes, she is.

4 MR. AHDOOT: Mr. Bernbrock accurately presented  
5 the situation with the Guilds. We want to sort of endorse  
6 his commentary with respect to the fact that our interests in  
7 cash collateral as they relate to the DIP have not really  
8 been fully vetted. We proposed some language just this  
9 morning via email during this hearing which we presume will  
10 be accepted, but we still need to sort of finalize that, and  
11 assuming that it is accepted or something similar is  
12 accepted, the Guilds are comfortable with moving forward.

13 I guess the only other point I have is that I'm  
14 also pleased to be able to reaffirm my friendship with Mr.  
15 Bernbrock on the record. Since he opened that door, I  
16 thought I might as well as validate his comments.

17 Other than that, Your Honor, again, thank you for  
18 taking the time and it's much appreciated.

19 THE COURT: Thank you, Mr. Ahdoot.

20 Is there anybody else who would like to be heard  
21 concerning the DIP?

22 Mr. Samis.

23 MR. SAMIS: Good morning, Your Honor, Chris Samis  
24 here, Potter Anderson, today on behalf of the noteholders,  
25 along with my co-counsel Mr. Newton from MoFo, Mr. Newton

1 would like to make a couple of comments surrounding the DIP.

2 THE COURT: Certainly.

3 MR. SAMIS: Thank you, Your Honor.

4 THE COURT: Mr. Newton, great to have you here. I  
5 had the pleasure --

6 MR. NEWTON: Thank you.

7 THE COURT: -- of admitting you to practice *pro*  
8 *hac vice* this morning.

9 MR. NEWTON: Yes, thank you very much, and thanks  
10 for the time. I rise similarly, you know, with just a short  
11 set of comments, having heard Mr. Warren comment on his  
12 concerns about the DIP, and to briefly state, you know, the  
13 DIP lenders, also prepetition lenders to the enterprise have  
14 been working with the company to provide some bridge  
15 financing over the course of the first quarter to allow the  
16 debtors to enter this process with a sale in place, which was  
17 signed up in February, and to allow for a smooth transition  
18 into the bankruptcy case, and to allow for a sale down the  
19 road.

20 In connection with providing that prepetition  
21 funding, they did not obtain liens on the ABS collateral, in  
22 part because that would have been a default under the ABS  
23 facilities. But, you know, we'll work with Warner Bros.  
24 during the course of the next few weeks here to address their  
25 concerns, as I mentioned, they included some reservation of

1 rights language in the order, and we'll continue to work with  
2 them ahead of the final hearing. And, as Mr. Warren said,  
3 hopefully, we can resolve a number of those issues, but I  
4 just wanted to comment on that aspect of the presentation  
5 and, you know, given that Mr. Warren was commenting on the  
6 lack of liens there. There's a reason for it, it's not a  
7 massive amount, there's a lot more prepetition debt, and the  
8 DIP lenders are not looking to roll up a lot of the  
9 prepetition debt, but we wanted to make this process as  
10 smooth and, hopefully, as efficient and economical as  
11 possible, and hence the reason for the rollup.

12 I will -- I'll defer on some of the other issues  
13 that Mr. Warren mentioned. You know, the transfer of  
14 derivative rights is certainly before my time, and I'm sure  
15 we'll have time to discuss that in due course and address it,  
16 but I just wanted to stand up for that purpose.

17 THE COURT: Okay. Thank you, Mr. Newton.

18 MR. NEWTON: Thank you.

19 THE COURT: Okay. Mr. Bernbrock.

20 Well, before you make your comments, I'm going to  
21 ask you to think about one thing. I do have an 11:30 hearing  
22 and I have people waiting for it. Before you begin your  
23 comments, would it be productive at all for you to have --  
24 or, well, I guess discussions with some of your colleagues or  
25 perhaps with Ms. Sierra-Fox about how you'd like to proceed

1 to address the objections that Ms. Sierra-Fox raised? Or  
2 where do you see yourself with all that at the moment, I  
3 guess?

4 MR. BERNBROCK: Thank you, Your Honor, Justin  
5 Bernbrock of Sheppard, Mullin, Richter & Hampton, proposed  
6 counsel for the debtors. For a minute there, I was worried  
7 you were going to ask me to tap dance, which is -- I'm unable  
8 to do with Ms. Sierra-Fox. I'm certainly happy to meet and  
9 confer and discuss a potential workaround.

10 Your Honor raised a couple of questions in  
11 connection with the transaction support agreement that I do  
12 want to try to address. In the event that this document  
13 changes, my understanding, or at least how we built this, the  
14 authority then falls away. We're only seeking the authority  
15 for this proposed document. And so while we did think about  
16 if there were, you know, scrivener's errors or minor  
17 modifications, but where we sort of landed was, if it changes  
18 at all, we have to come back to the Court.

19 With respect to the exculpation set forth that Ms.  
20 Sierra-Fox raised, we bear the same obligations under the  
21 indenture, those are secured, you know, capital ABS, capital  
22 O obligations. And so this isn't doing anything new that  
23 isn't already in existence.

24 THE COURT: And by that do you mean the  
25 indemnification at paragraph 6.04?

1 MR. BERNBROCK: Yes, indemnification --

2 THE COURT: Yeah, okay.

3 MR. BERNBROCK: -- and exculpation.

4 THE COURT: Okay, thanks.

5 MR. BERNBROCK: And, Your Honor, it's not with  
6 respect to the servicing, it's not an assumption or proposed  
7 assumption because this is a funded debt facility that we  
8 cannot under the Bankruptcy Code assume or seek to assume,  
9 these are our obligations under the transaction documents.

10 At the risk of putting Ms. Sierra-Fox on the spot,  
11 what the debtors could be comfortable with might be adding  
12 some incremental language into the order that gives parties  
13 the right to -- that grants the authority, but preserves the  
14 rights of parties to object in connection with the final  
15 hearing.

16 And really what I'm trying to do here, so that  
17 it's very, very clear, because we are speaking to noteholders  
18 quite soon, is if we get the authority and we execute the  
19 document and the trustee countersigns, then I know at least  
20 that we have done as much as we can to ensure that our  
21 ongoing operations, our proposed sale process, et cetera, can  
22 remain on track. There could still be, because the indenture  
23 only requires a simple majority of 50.1 percent of the  
24 holders to give the direction, a holder who says I'm going to  
25 pursue my own rights, and what I'm -- the language I am

1 proposing would preserve the right of that non-consenting  
2 holder, non-directing holder to come in and raise whatever  
3 issues they might have.

4 Is that acceptable -- I mean, if we want to go  
5 talk about it, I don't want to --

6 THE COURT: Yeah, Ms. Sierra-Fox.

7 MS. SIERRA-FOX: Your Honor -- and I'm also going  
8 to be monitoring the 11:30 hearing -- I appreciate the  
9 proposal. I don't have authority for that at this time, I'd  
10 have to take a break and call my client. Your Honor, I  
11 think, not to seem like I don't want to resolve what -- the  
12 U.S. Trustee doesn't want to resolve the issue, I think we  
13 view this to be sufficiently out of the ordinary where -- I  
14 mean, it would be our preference for precedential purposes  
15 and just for the reasons I reiterated on the record that Your  
16 Honor rule on this and we get -- it end up my client be  
17 directed in that way.

18 So, if Your Honor does want -- believes that  
19 debtors' counsel's proposal is what -- the preferred route,  
20 then that -- my client will have to live with that, but at  
21 this point I think I just don't have authority to go that  
22 route.

23 THE COURT: I understand. Okay.

24 Mr. Bernbrock.

25 MR. BERNBROCK: Your Honor, in light of Your

1 Honor's hearing at 11:30, I'm happy to briefly conclude or if  
2 Your Honor -- if we need to step away, I'm looking to take  
3 direction from you. I wanted to make a couple of overarching  
4 comments in response to some of what we heard, but let me  
5 pause.

6 THE COURT: On the record before as it stands,  
7 okay, I'm not certain that I have enough evidence to support  
8 a finding that entry into the transaction support agreement  
9 is necessary to avoid immediate and irreparable harm. So to  
10 Ms. Sierra-Fox's comment that it may require of an  
11 evidentiary record, I think I agree with that. So it may  
12 make sense to come back at about -- my day is rough -- I  
13 would anticipate my next hearing is approximately an hour --  
14 maybe if we came back at 1 o'clock and I could -- I have time  
15 until 2:00. I think that would be enough to probably handle  
16 the issues, but it might give you an opportunity to think  
17 further about what sort of record you need to build and what  
18 testimony you might require.

19 But it is an unusual transaction and there is  
20 nothing wrong with unusual transactions, frankly, it's one of  
21 the things that make being a Judge in Delaware a lot of fun  
22 is that we get unusual transactions and it's great to see  
23 them develop. So I have no problem conceptually with the  
24 idea that this is new, but I do think that there is an  
25 evidentiary record that has to be built to support the

1 request for relief before I can rule on it.

2 Does that make sense?

3 MR. BERNBROCK: Absolutely. And, to Ms. Sierra-  
4 Fox's point, it is the right one, she is correct, and of  
5 course as is Your Honor.

6 Perhaps we could work with Ms. Sierra-Fox -- I  
7 know this isn't her evidence, but that which would satisfy  
8 her concern as to the threshold, understanding that doesn't  
9 satisfy Your Honor, but we could prepare a proffer, a  
10 submission that we may tender to the Court perhaps by filing  
11 that and -- because there are a number of other, I think,  
12 components in the order that we want to work through with a  
13 number of parties.

14 So what I'm suggesting then is we'll work with Ms.  
15 Sierra-Fox as to that form of proffer, we'll tender it to --  
16 we'll file it with the Court, and then, after we have  
17 resolved the language with the parties, perhaps submit two  
18 versions of the order, one which authorizes that, if Your  
19 Honor were to find that that additional proffer was  
20 sufficient for the record, and then one order that does not  
21 have that authorization in the order. I'm trying to preserve  
22 your calendar and trying to -- I know some folks have flights  
23 out as well, but --

24 THE COURT: Yeah.

25 MR. BERNBROCK: -- just an idea.

1 THE COURT: I understand. Now, Ms. Sierra-Fox is  
2 going to be with me for the next hour or more, but,  
3 conceptually, it's fine.

4 Look, I'm certainly satisfied that upon the record  
5 that the debtors presented in the form of the two  
6 declarations that there is a need for the financing. We are  
7 not going to be here on April 11th if we don't get financing  
8 in place. So I think that the issue is about the transaction  
9 support agreement and whether that's appropriate,  
10 appropriately supported by the evidence so as to be approved  
11 on an interim basis, and I view that as the sole issue. And  
12 I'll make clear, in every other respect, I do find that the  
13 debtor has sustained its burden of showing why it's an  
14 appropriate exercise of their business judgment to enter into  
15 the lending facility, putting a parentheses around the  
16 restructuring support -- or transaction support agreement for  
17 the moment.

18 MR. BERNBROCK: I should have thought of this  
19 initially and I apologize, Your Honor, perhaps we could just  
20 make this a final order issue on normal notice, we'll  
21 supplement the record appropriately. If the trustee gets  
22 direction, then I've got a signature page from U.S. Bank that  
23 says they're not going to do anything. And Mr. Gavant has  
24 been eminently reasonable in all respects, I would be shocked  
25 to see that he would take action without at least first

1 calling me, and so I feel reasonably comfortable just --  
2 we'll just make this a final hearing issue, normal notice,  
3 and we can then supplement the record.

4 THE COURT: I think that makes a lot of sense.  
5 You know, with first day hearings, one of the things that I  
6 think a Judge always has to think about is who is not in the  
7 room simply because they don't know yet. They're pretty  
8 close to being ex parte hearings, right? And so I certainly  
9 appreciate that considered approach to dealing with this and  
10 it would make a great deal of sense to me.

11 MR. BERNBROCK: Well, then, Your Honor, what I  
12 would propose is we will -- we'll make that modification to  
13 the order, we've got a number of comments to work through  
14 with the parties, and I would propose that we would then  
15 tender the revised order under certification of counsel and I  
16 will -- with respect to Mr. Warren, I'll only say, I'll  
17 reiterate something that I said to him over email at the very  
18 early hours, that I, as a younger lawyer than Mr. Warren,  
19 look forward to actually learning quite a bit because I think  
20 that this is going to be an interesting experience. There's  
21 no question that there are disputes among these parties, I  
22 think that that is quite clear.

23 And I should have mentioned, my law firm, our  
24 partners are not counsel to the debtors with respect to that  
25 ongoing arbitration, this is Kirkland & Ellis that is

1 representing them in that proceeding. I should have  
2 mentioned, my former partners and friends there may be  
3 frustrated, but they are -- they've been on the line as well,  
4 but I say all of that to say, thus far, in very limited  
5 interaction with Mr. Warren, I have a lot of hope that we're  
6 going to collectively be able to come to a good resolution  
7 for the benefit of all parties.

8 Mr. Rubinstein, the marketing period is open, we  
9 look forward to your bid and any bid of any party, including  
10 Mr. Warren and the Warner Bros. studio, we're certainly happy  
11 to entertain any and all competing bids to the proposed  
12 transaction.

13 With that, Your Honor, that does conclude the  
14 presentation. As I said, we would --

15 THE COURT: Let me just ask one thing. I didn't  
16 ask Ms. Sierra-Fox if that proposed resolution addresses her  
17 comments.

18 MS. SIERRA-FOX: Yes, Your Honor --

19 THE COURT: Okay.

20 MS. SIERRA-FOX: -- Rosa Sierra-Fox on behalf of  
21 the U.S. Trustee, that addresses our comments.

22 THE COURT: I just wanted to make sure.

23 MS. SIERRA-FOX: Yes.

24 THE COURT: Okay. Well, look, thank you for --  
25 I'm sorry, Mr. Mulvihill.

1 MR. MULVIHILL: Your Honor, I'm sorry, before you  
2 make your final comment, just one housekeeping matter on the  
3 orders. All of the orders have been uploaded except,  
4 obviously, for the DIP and cash management order. I just  
5 wanted to ask Your Honor, would you like the cash management  
6 order with those changes under certification of counsel on  
7 the docket?

8 THE COURT: Yes, please.

9 MR. MULVIHILL: Okay. So we will upload that and,  
10 once we have it signed off from all the parties, we will  
11 upload the DIP after the hearing.

12 THE COURT: Okay. And to be clear then, April  
13 11th is the -- will be the final hearing on the motions for  
14 which interim relief is sought today.

15 MR. MULVIHILL: That's correct, Your Honor.

16 THE COURT: Okay. Okay, very good.

17 Okay. I appreciate the presentations very much,  
18 this was really well done, and look forward to seeing you  
19 back on the 11th. If anything comes up in the course of  
20 getting all the final comments in on the DIP order and you  
21 need anything, certainly tomorrow I can -- I can hear you,  
22 and certainly any party that would want to appear by Zoom, it  
23 would be just fine, but otherwise I'll look out for your  
24 certification of counsel on the final DIP order -- or, I'm  
25 sorry, the interim DIP order.

1 MR. BERNBROCK: Thank you, Your Honor.

2 THE COURT: Okay?

3 MR. BERNBROCK: If I may indulge --

4 THE COURT: Yes.

5 MR. BERNBROCK: -- one final piece? I raise this  
6 only to the extent that we have to come back to Your Honor on  
7 an emergency basis and I want to make very clear that there  
8 is a separate and distinct -- although we share a common  
9 ancestry, a separate and distinct enterprise that operates  
10 under the Village Roadshow name in Australia, and they  
11 operate theaters, they operate theme parks. While the two at  
12 one time were related and connected, and there's a very  
13 small, *de minimis* equity holding in the Topco by some of  
14 those legacy entities, this is a different -- this case is  
15 not that case. We have not filed bankruptcy for those  
16 companies and operations; it is a separate and distinct  
17 enterprise. However, somewhat unfortunately, we were served  
18 a notice dated today that on its face, Your Honor, is a  
19 violation of the automatic stay.

20 I tell you that that's our read, our  
21 interpretation of the action that's been taken. We are going  
22 to apprise that entity or those entities of the obligations  
23 under the automatic stay, and I'm very, very hopeful that we  
24 will be able to make clear what the automatic stay requires.  
25 If those conversations are unsuccessful, we may bring a

1 motion to enforce the automatic stay before Your Honor on an  
2 expedited basis.

3 THE COURT: Understood.

4 MR. BERNBROCK: I just want to flag that.

5 THE COURT: Okay.

6 MR. BERNBROCK: Otherwise, Your Honor, thank you.

7 THE COURT: Thank you very much. We are  
8 adjourned.

9 (Proceedings concluded at 11:43 a.m.)

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CERTIFICATION

We certify that the foregoing is a correct transcript from the electronic sound recording of the proceedings in the above-entitled matter to the best of our knowledge and ability.

/s/ William J. Garling

March 19, 2025

William J. Garling, CET-543

Certified Court Transcriptionist

For Reliable

/s/ Tracey J. Williams

March 19, 2025

Tracey J. Williams, CET-914

Certified Court Transcriptionist

For Reliable